

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-7

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**
(May 24, 2013)

The Postal Service hereby files its response to Chairman's Information Request No. 1, issued on May 16, 2013. The information request is stated verbatim, and is followed by the Postal Service's response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

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1. In Library Reference 1 (USPS-LR-R2013-7/1), the Postal Service submitted volume data from the last quarter of FY2012 and the first quarter of FY2013. Commission rules require that in calculating the percentage change in rates, the volumes for each rate cell shall be obtained from the most recent 12 months of Postal Service billing determinants." 39 C.F.R. § 3010.23(d).
 - a. Please provide the most recent full 12 months of transaction data from the Postal Service billing determinants and recalculate the price decrease for Special Services.
 - b. Please explain how the Postal Service identified the number of insurance transactions for Priority Mail pieces that would automatically receive free insurance under the instant proposal and provide all data and electronic worksheets used to develop the data.

RESPONSE:

- a. The attached excel file "CAPCAL-SpecServ R2013-7 (Rev. 1)" recalculates the price decrease for Special Services using data from Q2 FY 2012 through Q1 FY 2013. Due to this recalculation, the percentage change in prices for the Special Services class is now -0.511 percent. Using this revised amount, the Postal Service's new unused price adjustment authority becomes 1.564 percent and the total unused pricing authority becomes 3.678 percent.
- b. The process of selecting Priority Mail® pieces that would receive free insurance coverage involved two steps: 1) using Product Identification Codes to identify which Priority Mail pieces had been insured; and 2) using Sales Source Codes to segment the identified host pieces into Commercial, Retail, and Online / PC Postage® categories. The Postal

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Service assumed that all Commercial pieces would receive up to \$100 of insurance coverage and that all Retail and Online / PC Postage pieces would receive up to \$50 of free insurance coverage.

While the Postal Service acknowledges that the above distribution method does not perfectly map which pieces will receive \$100 or \$50 of insurance coverage under the instant proposal, this represents the best method available for these purposes. In fact, given that some Online / PC Postage® pieces will end up qualifying for \$100 of free insurance, the Postal Service's methodology likely understates the true value of the Special Services price decrease.

Additionally, while preparing the revised materials for this information request, the Postal Service noticed that, beginning in Q4 FY 2012, a significant portion of Commercial volume was reported as Online / PC Postage volume. To ensure that the Postal Service maintained methodological consistency when assigning insurance values (\$50 or \$100) to each Priority Mail® piece, the Commercial volumes from Q4 FY 2012 and Q1 FY 2013 were adjusted to match the average Commercial volume reported during Q2 and Q3 of FY 2012 (7.3%). This adjustment process is presented in the excel work book 'Supporting File1.xls'. The raw data and derivations are presented in 'Supporting File2.xls'.